

BASEL III DISCLOSURE REPORT

FOR THE NINE MONTH PERIOD ENDED
30 SEPTEMBER 2016



AHLI BANK SAOG

1. BASEL III CAPITAL DISCLOSURE

The below capital disclosures are prepared in accordance with the requirements of the CBO Circular BM 1114 'Regulatory Capital and Composition of Capital Disclosure Requirements under Basel III' issued on 17 November 2013.

1.1 THE 3 STEP APPROACH TO RECONCILIATION

Below disclosures are prepared using three step reconciliation approach as defined in the CP2-Guidelines on composition of capital disclosure requirements issued along with the CBO Circular BM 1114. In step 1, the accounting consolidation is identical to regulatory consolidation therefore the capital reconciliation is started from step 2 onwards.

Step 2: Expansion of Balance Sheet under Regulatory Scope of Consolidation

Table 2b – Expansion of Balance Sheet Under Regulatory Scope of Consolidation (RO `000)			
For the nine months period ended 30 September 2016	Q3 financial Statement	Under Regulatory scope of consolidation	Reference
Assets			
Cash and balances with CBO	85,528	85,528	
Balance with banks and money at call & short notice	22,773	22,773	
Investments, of which:	190,493	190,493	
Available for Sale	111,002	111,002	
Held for Trading	79,491	79,491	
Loans and advances – Net, of which:	1,557,449	1,557,449	
- Loans and advances to domestic banks	-	-	
- Loans and advances to non-resident banks	-	-	
- Loans and advances to domestic customers	-	1,290,511	
- Loans and advances to non-resident for operations abroad	-	20,439	
- Loans and advances to SMEs	-	50,189	
- Financing from Islamic banking window	-	220,126	
- Provision against Loans and Advances, of which:	-	(23,816)	
- Specific provision and Reserve interest & profit	-	(10,501)	
- General provision, of which	-	(13,315)	
- amount eligible for T2	-	(13,045)	a
- amount ineligible for T2	-	(270)	
Fixed assets	17,096	17,096	
Other assets	14,050	14,050	
Total Assets	1,887,389	1,887,389	
Capital & Liabilities			
Paid-up Capital, of which:	142,504	142,504	
- Amount eligible for CET1	-	142,504	b
Reserves & Surplus; of which	92,188	92,188	
- Amount eligible for CET1 (Legal reserve)	20,029	20,029	c
- Amount eligible for CET1 (Subordinated debt reserve)	43,184	43,184	d
- Amount eligible for CET1 (Retained earnings)	21,756	21,756	e
- Amount eligible for T2 (General loan loss reserve)	6,543	6,543	f
- Amount eligible for T2 (Investments Fair value gains)	676	347	g
- AFS investments fair value loss (CET1 adjustment)	-	(94)	h
- AFS investments fair value gain unutilized	-	423	
Total Capital	234,692	234,692	
Deposits from banks	274,868	274,868	
Customer deposits, of which	1,235,659	1,235,659	
- Deposits for customers	-	1,060,769	
- Deposits of Islamic Banking window	-	174,890	
Borrowings, of which:	38,500	38,500	
- From banks	38,500	38,500	
Borrowings in form of bonds, Debentures & sukuks, of which	65,000	65,000	
- Amount eligible for T2	-	21,816	i
- Amount ineligible for T2	-	43,184	
Other liabilities & provisions	38,670	38,670	
TOTAL	1,887,389	1,887,389	

Step 3: Step Reconciliation of Regulatory Capital:

Common Equity Tier 1 capital: instruments and reserves (RO' 000)			
	For the nine months period ended 30 September 2016	Component of regulatory capital reported by Bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	142,504	b
2	Retained earnings	21,756	e
3	Accumulated other comprehensive income (and other reserves)	63,213	c+d
4	Common Equity Tier 1 capital before regulatory adjustments	227,473	
5	Prudential valuation adjustments	(94)	h
6	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
7	Total regulatory adjustments to Common equity Tier 1	(94)	
8	Common Equity Tier 1 capital (CET1)	227,379	
Additional Tier 1 capital: instruments			
9	Additional Tier 1 capital (AT1)	-	
	Tier 1 capital (T1 = CET1 + AT1)	227,379	
Tier 2 capital: instruments and provisions			
9	Directly issued qualifying Tier 2 instruments plus related stock surplus	21,816	i
10	Provisions	19,588	a+f
11	Fair value reserve of AFS investments	347	g
	Tier 2 capital before regulatory adjustments	41,751	
	Tier 2 capital: regulatory adjustments	-	
	Tier 2 capital (T2)	41,751	
	Total capital (TC = T1 + T2)	269,130	

1.2 MAIN FEATURES OF REGULATORY CAPITAL

Table below discloses the key features of all the regulatory capital issued by the Bank;

1	Ahli Bank SAOG	Common Equity Share Capital	Subordinated Bonds (Basel II)	Subordinated debt (Basel II)	Subordinated debt (Basel III)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA	NA	NA
3	Governing law(s) of the instrument Regulatory treatment	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations
4	Transitional Basel III rules	Common Equity Tier 1	Tier II	Tier II	Tier II
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible	Ineligible	Eligible
6	Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Share Capital	Private Placement of Subordinated Bonds	Private Placement of Subordinated debt	Private Placement of Subordinated debt
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	RO 142.504 million	-	RO 1.070 million	RO 20.746 million
9	Par value of instrument	RO 142.504 million	RO 35.000 million	RO 5.000 million	RO 25.000 million
10	Accounting classification	Shareholders' Equity	Liability amortised cost	Liability amortised cost	Liability amortised cost
11	Original date of issuance	Bank started operations in 1997	16-Dec-10	26-Oct-10	*Refer to the below table
12	Perpetual or dated	Perpetual	Dated	Dated	Dated
13	Original maturity date	No maturity	15-Dec-17	26-Oct-17	**Refer to the below table
14	Issuer call subject to prior supervisory approval	No	Yes	No	No
15	Optional call date, contingent call dates and redemption amount	NA	16-Dec-15	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA	NA
Coupons / dividends					
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed	Fixed
18	Coupon rate and any related index	NA	5.50%	5.75%	4% - 5%
19	Existence of a dividend stopper	NA	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partially discretionary	Partially discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	Statutory approach
25	If convertible, fully or partially	NA	NA	NA	May convert fully or partially
26	If convertible, conversion rate	NA	NA	NA	Average price *
27	If convertible, mandatory or optional conversion	NA	NA	NA	Optional
28	If convertible, specify instrument type convertible into	NA	NA	NA	CET 1
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	Ahli Bank
30	Write-down feature	Yes	No	No	Yes
31	If write-down, write-down trigger(s)	Statutory approach	Contractual approach	Contractual approach	Statutory approach
32	If write-down, full or partial	Write down fully	May be written down partially	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up provisions	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	Common Equity Share Capital	Common Equity Share Capital	Common Equity Share Capital
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	NA	NA	NA	NA

* 1) Number of Shares to be issued = Subordinate Debt outstanding plus interest accrued thereon/ Conversion Price

2) Conversion Price, means the higher of: (i) average of the weekly high and low closing prices of the Bank's shares quotes in Muscat Securities Market in the last twenty six (26) weeks; or (ii) such average during four (4) weeks before the date of the conversion, as communicated by the CBO

Number Of Subordinated debt (as per Basel III)	Par value of instrument	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	*Original date of issuance	**Original maturity date
Subordinated debt 1	5,000	2,909	28-Aug-14	29-Aug-19
Subordinated debt 2	1,000	999	30-Sep-14	30-Sep-21
Subordinated debt 3	5,000	5,000	01-Oct-14	02-Oct-21
Subordinated debt 4	5,000	4,111	10-Nov-14	10-Nov-20
Subordinated debt 5	1,000	625	13-Nov-14	16-Nov-19
Subordinated debt 6	2,000	1,253	17-Nov-14	18-Nov-19
Subordinated debt 7	3,000	3,000	10-Jun-15	13-Jun-22
Subordinated debt 8	3,000	2,849	30-Jun-15	29-Jun-21
Total	25,000	20,746		

1.3 DISCLOSURE TEMPLATE DURING THE TRANSITION PHASE

Table below is prepared using the disclosure template to be used during transition of regulatory adjustments;

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from 1 January 2013 to 31 December 2017)			AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	142,504	-
2	Retained earnings	21,756	-
3	Accumulated other comprehensive income (and other reserves)	63,213	-
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)</i>	-	-
	<i>Public sector capital injections grandfathered until 1 January 2018</i>	-	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	-
6	Common Equity Tier 1 capital before regulatory adjustments	227,473	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	(94)	-
8	Goodwill (net of related tax liability)	-	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
11	Cash-flow hedge reserve	-	-
12	Shortfall of provisions to expected losses	-	-
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	-
15	Defined-benefit pension fund net assets	-	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	-
17	Reciprocal cross-holdings in common equity	-	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
22	Amount exceeding the 15% threshold	-	-
23	of which: significant investments in the common stock of financials	-	-
24	of which: mortgage servicing rights	-	-
25	of which: deferred tax assets arising from temporary differences	-	-
26	National specific regulatory adjustments	-	-
26a	Shortfall in equity capital of majority owned financial entities, which have not been consolidated with the banks	-	-
26b	Investments in equity capital of unconsolidated non-financial entities.....etc.	-	-
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE BASEL III TREATMENT	-	-
	OF WHICH: INSERT NAME OF ADJUSTMENT	-	-
	OF WHICH: INSERT NAME OF ADJUSTMENT	-	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
28	Total regulatory adjustments to Common equity Tier 1	(94)	
29	Common Equity Tier 1 capital (CET1)	227,379	

1.3 DISCLOSURE TEMPLATE DURING THE TRANSITION PHASE

Table below is prepared using the disclosure template to be used during transition of regulatory adjustments;

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from 1 January 2013 to 31 December 2017)		AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	-
31	of which: classified as equity under applicable accounting standards	-	-
32	of which: classified as liabilities under applicable accounting standards	-	-
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	-	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	-
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	-
36	Additional Tier 1 capital before regulatory adjustments	-	-
Additional Tier 1 capital before regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
41	National specific regulatory adjustments	-	-
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	-
	OF WHICH:	-	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
43	Total regulatory adjustments to Additional Tier 1 capital	-	-
44	Additional Tier 1 capital (AT1)	-	-
45	Tier 1 capital (T1 = CET1 + AT1)	227,379	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-
	OF WHICH: ...		
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	21,816	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	-
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	-
50	Provisions (<i>provision and fair value reserve</i>)	19,935	-
51	Tier 2 capital before regulatory adjustments	41,751	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-

1.3 DISCLOSURE TEMPLATE DURING THE TRANSITION PHASE

Table below is prepared using the disclosure template to be used during transition of regulatory adjustments;

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from 1 January 2013 to 31 December 2017)		AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
56	National specific regulatory adjustments	-	-
	REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	-
	OF WHICH: ...	-	-
57	Total regulatory adjustments to Tier 2 capital	-	-
58	Tier 2 capital (T2)	41,751	-
59	Total capital (TC = T1 + T2)	269,130	-
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	1,703,203	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	-
	OF WHICH: ...	-	-
60	60 Total risk weighted assets	1,703,203	-
60a	<i>Of which: Credit risk weighted assets</i>	1,567,011	-
60b	<i>Of which: Market risk weighted assets</i>	40,069	-
60c	<i>Of which: Operational risk weighted assets</i>	96,123	-
	Capital Ratios		-
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.35%	-
62	Tier 1 (as a percentage of risk weighted assets)	13.35%	-
63	Total capital (as a percentage of risk weighted assets)	15.80%	-
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)	7.625%	-
65	<i>of which: capital conservation buffer requirement</i>	0.625%	-
66	<i>of which: bank specific countercyclical buffer requirement</i>	-	-
67	<i>of which: G-SIB buffer requirement</i>	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted)	3.80%	-
Nat	Tier 2 capital: instruments and provisions		-
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	7.625%	-
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	9.625%	-
71	National total capital minimum ratio (if different from Basel 3 minimum)	12.625%	-
	Amounts below the thresholds for deduction (before risk weighting)		-
72	Non-significant investments in the capital of other financials	2,798	-
73	Significant investments in the common stock of financials	-	-
74	Mortgage servicing rights (net of related tax liability)	-	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		-
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	19,858	-
77	Cap on inclusion of provisions in Tier 2 under standardised approach	19,588	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

1.3 DISCLOSURE TEMPLATE DURING THE TRANSITION PHASE

Table below is prepared using the disclosure template to be used during transition of regulatory adjustments;

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from 1 January 2013 to 31 December 2017)			AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan			-
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

The financial statements and other related disclosures are also available on the ahlibank's website, to view it on the website refer the link <http://ahlibank.om/investor-relations/financial-reports/>.

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For Ahli Bank SAOG

Said Al Hatmi
SGM – Risk, Finance, Legal & Compliance

Date: 13 October 2016

1.4 LIQUIDITY COVERAGE RATIO

LIQUIDITY COVERAGE RATIO (LCR)		
Common Disclosure Template for the period ending:		
30 September 2016		
	(RO '000)	
	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets		
1 Total High Quality Liquid Assets (HQLA)		160,605
Cash Outflows		
2 Retail deposits and deposits from small business customers, of which:	107,805	8,876
3 Stable deposits	35,027	1,598
4 Less stable deposits	72,778	7,278
5 Unsecured wholesale funding, of which:	431,371	249,706
6 cooperative banks	-	-
7 Non-operational deposits (all counterparties)	292,146	110,481
8 Unsecured debt	139,225	139,225
9 Secured wholesale funding	103,898	15,585
10 Additional requirements, of which	-	-
11 Outflows related to derivative exposures and other collateral requirements	-	-
12 Outflows related to loss of funding on debt products	-	-
13 Credit and liquidity facilities	-	-
14 Other contractual funding obligations	35,633	3,563
15 Other contingent funding obligations	87,164	4,358
16 TOTAL CASH OUTFLOWS		282,088
Cash Inflows		
17 Secured lending (e.g. reverse repos)	-	-
18 Inflows from fully performing exposures	186,912	93,456
19 Other cash inflows	14,719	2,910
20 TOTAL CASH INFLOWS	201,631	96,366
		Total Adjusted Value
21 TOTAL HQLA		160,605
22 TOTAL NET CASH OUTFLOWS		185,721
23 LIQUIDITY COVERAGE RATIO (%)		86.48%